



JEWEL COMPANIES, INC.

ANNUAL REPORT 1966

The JEWEL COMPANIES

DIVERSIFIED RETAILERS

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Results in Brief

(All years include Buttrey Foods, Inc. and
real estate affiliates)

Results in Brief		Fiscal Year			% Increase 1966 Over 1965
		1966	1965	1964	
(All years include Buttrey Foods, Inc. and real estate affiliates)					
(Total dollars in thousands, except per share figures)					
Sales:					
Food and related merchandise—retail	\$ 836,080	\$ 744,674	\$ 679,520	12.3%	
General merchandise—retail	208,418	176,890	156,214	17.8	
Wholesale sales	15,639	11,867	8,690	31.2	
Total sales	1,060,137	933,431	844,424	13.6	
Earnings Before Federal Income Taxes	28,730	28,522	26,282	.7	
Net Earnings for the Year	16,476	16,198	14,732	1.7	
Per cent to total sales	1.6%	1.7%	1.7%		
Per cent to net worth	13.3	14.1	13.8		
Earned Per Share of Common Stock	\$2.46	\$2.45	\$2.23	.4	
Cash Dividends Per Share of Common Stock . .	1.20	1.13	1.07	6.2	
New Property, Plant and Equipment (net):					
Operating companies	\$ 21,569	\$ 17,080	\$ 18,451		
Real estate affiliates	10,080	3,728	5,283		
Funds Generated from Operations less					
Dividends Paid (Cash Flow)	22,149	21,792	19,380	1.6	
	As of Jan. 28 1967	As of Jan. 29 1966	As of Jan. 30 1965		
Net Working Capital (In thousands)					
Ratio of Current Assets to Current Liabilities..	1.9 to 1	1.9 to 1	1.9 to 1		
Operating Units:					
Supermarkets	367	356	351		
Home Service Routes	2,109	2,141	2,103		
Retail Drug Stores & Departments	111	86	74		
Self-Service Department Stores	9	9	10		
Candy—Ice Cream—Bakery—					
Luncheon Shops	79	73	66		
Convenience Stores	14	3	0		
Stockholders	13,560	12,641	12,593		
Common Shares Outstanding	6,618,500	6,538,307	6,532,011		
Preferred Shares Outstanding	47,262	47,637	49,127		
Full-Time Employees	18,030	17,178	15,614		

March 8, 1967

Management's Report

Jewel's results for the year are summarized on the previous page. Because these results only partially reflect the progress achieved in strengthening the Company's organization and competitive position in its diverse merchandise lines and geographic markets, you will find in this report a description of some of this progress under the heading of "Trends Relating to Greater Profitability."

SALES OVER \$1 BILLION FOR FIRST TIME

The sales of Jewel Companies in 1966 totaled \$1,060,137,000, the first year in our history in which sales have exceeded \$1 billion, an increase of \$126,706,000 over 1965. While gains were recorded in the sales of each of the Jewel Companies, 52% of the total increase for the year was contributed by the Jewel Food Stores in Chicagoland. 25% of the total increase came in general merchandise sales. Particularly noteworthy in the past year has been the gain in sales of identical store units, those stores which operated un-

changed through 1965 and 1966. Sales of these units increased an average of 8% for the year.

EARNINGS AT RECORD HIGH

Earnings of the Company in 1966 were the highest in our history, totaling \$16,476,038 and \$2.46 per share. This is an increase of 1.7% and 1¢ per share from the prior year. The failure of earnings to match the gain in sales reflects in part the difficult employment situation of the past year which affected our service businesses (Home Service Routes and Brigham's) as well as a host of other cost and margin pressures affecting every facet of the Company's operations.

Earnings of our Jewel Food Stores in 1966 were moderately ahead of 1965 even though a dramatic "Miracle Price" program was introduced September 12 in the Chicago market. While making no change in customer service, store-wide price reductions on more than 2,000 staple grocery items dramatically added up to substantial savings on weekly food bills for Chicagoland customers. Acceptance was immediate and is continuing.

Especially notable in 1966 was the marked improvement realized in the operating earnings of our Turn-Style and Osco Drug activities. These new businesses have emerged as valuable contributors to the profitability of Jewel Companies.

Favorable sales and earnings trends have been reported in the past year by our Belgian affiliates, Supermarchés GB and Super Bazars. Losses of our Italian affiliate, organized comparatively recently (in 1964), are being reduced. Further improvement in operating results of each of these affiliates is budgeted for 1967. Results of these foreign affiliates are not consolidated with Jewel Companies, Inc. and financial benefits from these investments will not appear in our consolidated published reports until they reach the point in their growth cycle where they are in position to pay dividends.

CONSUMER PRICE REACTIONS

In late September and October many retail food store operators around the country felt the brunt of customer unrest in the form of boycotts, picketing and widespread publicity in the public press and on radio and television. A special section of this report (see page 18) comments on these developments, but it is noteworthy that Jewel was affected in only a few isolated locations. Of particular importance was the fact that the change to Miracle Prices in Chicago preceded the national wave of consumer protest. No boycott of any kind developed in the Jewel Food Store marketing territory.

FINANCIAL POSITION

Shareholders will observe a change in the financial statements of the Company shown on pages 20 through 27 of this report. Beginning in 1966 the accounts of Jewel and its 124 real estate affiliates have been fully consolidated to adhere to current accounting standards. Figures for 1965 and preceding years have been restated to reflect this consolidation procedure.

The increased inventories of the Company as of January 28, 1967, reflect the changing mix of our business to greater general merchandise sales by Osco Drug, Turn-Style and the Home Service Routes. Total inventories of the Company, expressed in terms of week's stock, increased from 5.3 at the end of 1965 to 5.5 at year end 1966.


To adequately plan for the most profitable use of financial resources of the Company, a Capital Planning Committee consisting of management members of the Board of Directors' Finance Committee and the Corporate Controller, was formed in 1966. This Committee is responsible for determining that funds are available to cover proposed capital commitments, that projected profitability of proposed investments equal or exceed accepted standards and that there exists a proper balance

in profitable near and long-term investment of the Company's total financial resources.


THE YEAR AHEAD

In 1967 we have budgeted higher levels of earnings and sales although earnings will be affected by higher taxes, if enacted by Congress, and by the loss of investment credit suspended in the fall of 1966. Capital expenditures will approximate \$25 million in 1967 and will include major payments for a new Star Market warehouse project now underway in Norwood, Massachusetts, and construction of a dairy plant at Melrose Park, Illinois. We plan to open 18 supermarkets, 15 drug stores, 7 Brigham's shops and 17 White Hen Pantry convenience stores and one new small Turn-Style unit during the year. Additionally, 14 Buttrey non-food departments will be converted to Osco Drug Stores in 1967. It is expected that any financing required in addition to the regular debt financing of the Company's retail store and related properties will be in the form of general debt obligations of the Company as opposed to equity financing.

We extend our thanks to all Jewel people who continue to demonstrate their dedication to the high standards and the goal of serving the changing and growing needs and desires of our customers. We are also grateful to shareholders for their continued interest and support.



GEORGE L. CLEMENTS
Chairman of the Board



DONALD S. PERKINS
President



FRANKLIN J. LUNDING
Chairman, Finance Committee

Composition of The Jewel Companies in 1966

Ranked in order of sales volume are these diverse Jewel Companies operating in the United States and reporting total 1966 sales of \$1,060,137,000.



JEWEL FOOD STORES

Stores in five midwestern states. The #1 food retailer in the Chicago Metropolitan Area.

	1966	Plan 1967
Stores—beginning of year	257	261
New stores added	13	10
Old stores closed	9	7
Stores—end of year	261	264
Store area (average square feet)	14,300	
(range—square feet)	2,700—29,800	



STAR MARKETS

Stores in four New England states. A quality leader and fast growing food retailer in the Boston Metropolitan Area.

	1966	Plan 1967
Stores—beginning of year	37	41
New stores added	4	7
Stores—end of year	41	48
Store area (average square feet)	23,200	
(range—square feet)	7,600—36,000	



OSCO DRUG

Of 29 stores to be opened in 1967, 14 will be conversions of existing Buttrey non-foods departments. Osco will be operating in 15 states by the end of 1967.

	1966	Plan 1967
Stores—beginning of year	86	111
New stores added	27	29
Old stores closed	2	—
Stores—end of year	111	140
Prescriptions filled—1966	1,804,000	
Store area (average square feet)	6,700	
(range—square feet)	2,300—20,000	



JEWEL HOME SHOPPING SERVICE

With Routes in 44 states and the District of Columbia, this original Jewel Company reported its 46th consecutive profitable year.

	1966	Plan 1967
Routes—beginning of year	2,141	2,109
Routes added	2	—
Routes closed	34	19
Routes—end of year	2,109	2,090
Customers per week	500,000	



BUTTREY FOODS

With stores located in Montana, Idaho and Utah, this high quality food retailer is the newest Jewel Company.

	1966	Plan 1967
Stores—beginning of year	29	32
New stores added	6	1
Old stores closed	3	1
Stores—end of year	32	32
Store area (average square feet)	22,800	
(range—square feet)	5,600—42,800	



EISNER FOOD AND AGENCY STORES

Located in Central Illinois and Western Indiana, this activity includes supermarkets, a wholesaling service to franchised independents and an institutional food supplier.

	1966	Plan 1967
Corporate stores	30	30
Affiliate stores	39	42
Corporate store area (average square feet)	14,600	
(range—square feet)	7,800—21,800	



TURN-STYLE FAMILY CENTERS

These self-service department stores reached a level of profitability in 1966 which warrants expansion of this Family Center concept beginning in 1967.

	1966	Plan 1967
Stores—beginning of year	9	9
New stores added	—	1
Stores—end of year	9	10
Store area (non-food) (average square feet)	84,200	
(range—square feet)	50,000—108,500	

	1966	Plan 1967
Stores—beginning of year	73	79
New stores added	8	7
Old stores closed	2	—
Stores—end of year	79	86
Store area (average square feet) (range—square feet)	1,800 575—4,100	

	1966
Total accounts served	549

	1966	Plan 1967
Stores—beginning of year	3	14
New stores added	11	17
Stores—end of year	14	31

Jewel's Foreign Activities

Jewel has an important base for growth in Europe as well as in the United States, with active interests in three separate retailing ventures in Belgium and Italy and a planned new operation in Spain. Total sales of these companies in 1966 exceeded \$65,000,000.

	1966	Plan 1967
Stores—beginning of year	27	33
New stores added	6	5
Stores—end of year	33	38
Store area (average square feet) (range—square feet)	15,000 9,500—28,650	

	1966	Plan 1967
Stores—beginning of year	5	7
New stores added	2	1
Stores—end of year	7	8
Store area (including food) (average square feet) (range—square feet)	75,000 36,000—180,000	

	1966	Plan 1967
Stores—beginning of year	4	6
New stores added	2	5
Stores—end of year	6	11
Store area (average square feet)	11,620	



BRIGHAM'S

A household word in the Boston Metropolitan Area, these shops are noted for quality ice cream, candy, bakery and food service.



FOOD MARKETERS

An institutional service organization providing a quality wholesale perishable food service to restaurants, hotels, hospitals, schools and plants, principally in the Chicagoland Area.



WHITE HEN PANTRIES

Convenience stores, franchised to independent operators, which complement our supermarket operations in the Chicagoland marketing area.



SUPERMARCHÉS GB BELGIUM

A supermarket business formed in mid-1960, now operating 33 modern, U.S.-type self-service stores in the principal cities of Belgium and their suburbs.



SUPER BAZARS BELGIUM

Two exciting new self-service department stores in 1966 increased to seven the number of Super Bazar self-service department stores in operation in Brussels, Antwerp, Liege and their suburbs.



S.I.A.S. ITALY

A small but growing chain of supermarkets in and near Milan, Italy, with encouraging results to date. In recognition of growth foreseen in this marketing area, a warehouse is presently under construction.

Near the end of 1966, additional international investments were made by the Company in a Mexican agricultural activity (see page 13), and in a retailing operation in Spain (see page 17).

TRENDS RELATING TO GREATER PROFITABILITY

Expanding General Merchandise Activities

As has been pointed out since Jewel's entry into the drug business in 1961, and the self-service department store business in 1962, these activities are expected to add importantly to the longer-term growth and profitability of the Jewel Companies. This happened in 1966 as the sales of these retail general merchandise businesses rose 21.5% and profits improved 39.6%. Jewel's strength as a food retailer is enhanced because of our ability to locate such promotionally strong traffic-building stores as Osco Drug and Turn-Style adjacent to food stores. Jewel's strength as a company is enhanced by the current accomplishments, as well as by the high future promise of these general merchandise businesses.

OSCO DRUG STORES

At the year's end, 111 Osco Drug Stores were in operation. Sales and profit growth came from increased sales in identical stores, from new Osco Drug, Inc. down-town and shopping center locations in medium sized towns, and from Chicago-Osco locations in conjunction with Jewel Food Stores in metropolitan Chicago. Numerous factors underlie Osco's dramatic growth in 1966 and suggest even greater growth in 1967.

- The growing importance of pharmacies to the nation's health, stimulated both by extensive drug research and by Medicare and supported by

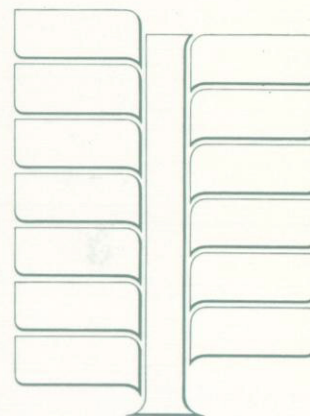
Osco's dedication to both high ethics and service, contributed to 1,804,000 prescriptions being filled in 1966 — an increase of 26.2% over 1965.

- The ability of Osco Drug, Inc. to successfully enter new towns and quickly gain high sales volume with a reputation for pleasing customers and offering low prices, was illustrated this year with the highest new store volumes in its history. 1967 promises to be even more exciting as Osco Drug will convert 14 non-food operations of Buttrey Foods in Montana and Idaho, and plans eight new free-standing drug stores.
- The ability of the Chicago-Osco operating group to build 56 stores in the Chicago Metropolitan Area in 5½ years attests to the flexibility and energy of Osco people. The Cosmetic Departments, the Camera Shops, the quality and selection found in the more than 20,000 sundry items they offer, when combined with their prescription service, have given Osco real meaning to Chicagoans in a remarkably short period of time. The strength they add to adjacent food stores makes their contribution doubly important.
- Our only Osco discouragement has been the refusal of the Massachusetts Pharmacy Board to grant Osco a pharmacy license in that state. Although we recognize the natural antipathy of the independent pharmacists who comprise the Board to "chain" drug stores, we feel confident that in the long run the high ethical standards of Osco will prevail and the license will eventually be granted.

TURN-STYLE SELF-SERVICE DEPARTMENT STORES

In offering 60,000 different general merchandise items for sale in its self-service department stores, Turn-Style has had operating and logistics problems unmatched in complexity by any other Jewel Company. The progress that has been made in these areas, when added to the sales progress of our nine Turn-Styles, makes us look forward to expanding this retailing concept.

- Sales in our nine Turn-Style stores, all of which were physically unchanged from 1965, were up 14.6%. Though most every department in the stores contributed to this increase, most spectacular were the increases in sales and profit in the several wearing apparel departments.
- Each of the nine stores improved its operating results during 1966, as the Sales Manager concept had the same impact in its introduction in Turn-Style East that it had shown in Turn-Style West, the previous year. This organization concept divides the responsibility in Boston and Chicago



TRENDS RELATING TO GREATER PROFITABILITY

by departments common to all of the stores in each area, rather than by individual store location. For example, the ladies' wear sales manager in Chicago has complete responsibility for both the operation and merchandising of all five midwest Turn-Style ladies' wear departments.

- Although a large new Turn-Style store will not be operational until 1968, smaller Turn-Styles either are or soon will be in operation. In Waltham, Massachusetts, a 20,000 sq. ft. Star Home Center was converted to Turn-Style in 1966, with outstanding sales results. A similar Home Center in Franklin, Massachusetts, will be converted in 1967. Another new, small Turn-Style of 30,800 sq. ft. will be operated in Bettendorf, Iowa in 1967 in combination with a new food store. This latter store takes advantage of the outstanding sales results gained over the past several years by our two existing Turn-Styles in the Moline-Davenport area. These two stores suggest a pattern for entry and growth in new markets in future years.

Growth in Supermarket Operations

Food Stores sales of \$808,405,000 in 1966 increased 13.3% over 1965. In a year that was unsettling because of a cost-price squeeze, consumer protests and considerable publicity on food prices and the reasons for them, we are pleased that the basic elements of our Food Store programs satisfied customers in greatly increased numbers. We would describe these elements in several ways.

IN PURSUIT OF EXCELLENCE

In the long run, only standards of excellence determine the success of a food store and we define excellence to include cleanliness, consistent quality, friendly service, ample variety and outstanding perishables, as well as unmistakable value. Although price and promotional publicity filled most of our advertising space in 1966, we feel that the pursuit of excellence was a more important factor to sales success in the Jewel Companies. In a given week in

1966, the Jewel Food Stores in Chicago were advertising Miracle Prices; Eisner in Champaign, Illinois, a "Stamp-ede;" Big Star in Providence, Rhode Island, the "Let's Go to the Races" game; Buttrey in Missoula, Montana, a \$1.00 sale; and Star in Boston, coupons offering bonus stamps. Though influenced by such a wide variance in promotional activity, the consistency of store operations enabled each of our Food Store organizations to enjoy increases in sales over the previous year. All of our Food Store people understand that regardless of the promotional activity in their area at any given time, excellence in store operation is *the* major factor in deciding which store grows in business.

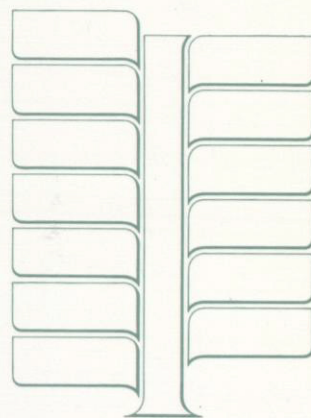
THE SERVICE IN SELF-SERVICE

Self-service sells packaged groceries. People sell perishables. Self-service enables a supermarket to operate efficiently. People bring customers back to a given store. These are not contradictions, but rather illustrate the major trend we see in all of our operations to intelligently blend the sales power of sales people with the efficiency of self-service. No packaged presentation can out-sell or out-earn the service seafood or delicatessen departments in Star, the in-store bakery presentation in Buttrey, the man behind the self-service meat counter in Eisner, or the Sausage Shop or the Chef's Kitchen in Jewel Food Stores. More and more the perimeters of our food stores are being designed and manned to sell perishables, while the interior of our stores continues to emphasize efficiency and self-service. Thus, we feel that future Food Store success will depend even more on the development of people—service people at the front end of the store and sales people throughout the store—than has been the case since the day of the small general store.

CHANGING CUSTOMER DEMANDS AND DESIRES

Our customer's demand for greater variety in food and general merchandise, as well as services, has made the attractive supermarket of 10 years ago inadequate today. As much as it hurts in the short run to "cannibalize" several profitable small stores with a new, large food or combination food and drug store, we know that our long term well-being depends upon doing just that in most areas in which we operate. With increasing demands for variety of foods and ever-increasing interest in purchasing food in a more fully prepared form, customers have been telling us that they expect larger, more complete shopping units with plenty of parking. The current state of modernization and rejuvenation of all of our Jewel, Star, Eisner and Buttrey stores is illustrated by the fact that nearly half of our current sales come from stores that have been opened or significantly remodeled in the past 5 years.

The trend toward larger stores, with greater variety of merchandise and



additional specialized departments, also indicates a trend toward fewer stores to adequately cover a market. This creates an opening for the convenience store and we are now entering our third year of operating White Hen Pantries—2,500 sq. ft. stores which offer the convenience of hours (7:00 a.m. to 11:00 p.m.—seven days a week) and location. With 14 Pantries open at year end 1966 and 17 scheduled to open in 1967, we have a budding young business consisting of fully franchised stores which will provide an attractive return on investment in years to come.

In addition to up-to-date store facilities, up-to-date warehousing and back-up facilities are essential to profitable and successful total operation. Our Melrose Park facilities offer a definite efficiency advantage to the Jewel Food Stores in Chicago. To begin to develop similar facilities in Boston, a 54 acre tract of land was recently acquired and construction of a much needed 260,000 square foot grocery warehouse is now expected to be completed for Star Markets by the end of 1967.

STORE LOYALTY THROUGH PRIVATE BRANDS

Although there is no question that all of our Food Store traffic is heavily influenced by attractive pricing of regional or national brands, store loyalty is built on the services provided by people, location and those items whose quality and price are distinctive to our stores. Because perishable meat, produce, seafood, dairy, bakery and delicatessen items are importantly influenced by the care of sales people and give a valuable reputation to a store, they are generally sold under Jewel-owned labels. Also, in packaged grocery items, as a service to our customers we provide, under private or controlled brands, items that:

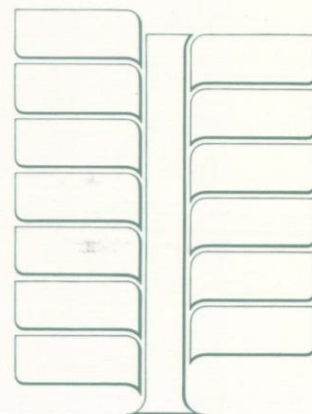
- (a) match the quality of an advertised brand with a lower selling price, or
- (b) provide unusual quality not available in sufficient quantity to support an advertised brand, but which is in demand even at a premium price.

Customer loyalty and store profitability in a climate of great price pressure and considerable price comparison is highly influenced by the distinctiveness in quality and value of the entire range of private offerings of any given group of stores. This has been important to the Jewel Companies in the price-conscious atmosphere of 1966 and we expect that it will continue in importance in the future.

THE REWARDS OF INNOVATION

In many areas of each of our Food Store businesses we are today enjoying sales and profit success because of the pioneering of present and past Jewel,

Star, Buttrey and Eisner people. Early entry into frozen food, Extra Value Trim meats and frozen-pastry shops, illustrate past innovations in product. New programs in packaging presentation, food preservation and total distribution economies are in process in all of our Food Store operations. Our first store with a complete presentation of Tenderlock fresh-frozen meat was opened in Wilmette, Illinois on October 25, 1966. A "total distribution cost analysis task force" is working to implement and bring about improvements in our total distribution picture.



Demands of Our Service Businesses

Although the Jewel Home Shopping Service and our Brigham's stores seem like very different businesses, they experienced common results in 1966. Both had record sales, but earnings were below 1965, each primarily affected by the rising cost of manpower in a tight employment market. Our nation's employment rate has been at its highest level in 13 years. It is generally true that the success of these service businesses, which are so dependent upon the quality of the people they can attract, is not favored by an economy marked by record employment, particularly when aggravated by inflationary pressures. However, both businesses have concrete plans for continued sales increases and profit improvement in 1967.

THE HOME SHOPPING SERVICE

While high-quality groceries are the important link to regular service to our customers, general merchandise continues to grow in importance as we respond to customer interest in ladies' fashions, practical children's wear, selected men's items, prestige domestics lines, and quality hard goods. To service increasing general merchandise sales, we have moved our mail-order operation into new leased facilities in Elgin, Illinois. Operating from this specially designed 120,000 square foot warehouse, we expect to process over 2½ million orders in 1967 at significant savings in costs and with improved service to our customers.

TRENDS RELATING TO GREATER PROFITABILITY

In 1966 we launched JOYA fashions, selling ladies' fashions through the party plan method in the home, basing our approach on an image of outstanding quality, with a definite appeal of stylish fashions and fun. This new business is being built around the strengths we have accumulated in quality, fashion merchandising and direct selling. JOYA has thus far been introduced in Illinois and California, and in 1967 will be expanded to other areas.

In 1966 we have also experimented with party plan selling through the Routes organization and during the weeks before Christmas several hundred Route Operators held toy parties with their wives or customers acting as hostesses. So encouraging is party plan selling that, in addition to JOYA, we expect to sell seasonal lines of merchandise through home parties organized by our Routes people, featuring spring fashions, an outdoor-living theme and fall and Christmas merchandise. We believe that the Jewel Party Plan concept can be developed to aid sales and earnings, and that parties might also be an important, new way of introducing our regular service to more housewives.

BRIGHAM'S

Brigham's, *the* name for candy and ice cream in the Boston Metropolitan Area, has experienced growing pains as it has expanded its services to include sandwich and fountain service, and as it has added new locations—a 25% increase in stores in the last two years. The great need for more effective recruiting, training and management development is the number one job of Brigham's new management team. This team includes both youth and experience, enthusiasm and dedication. Although they do not underestimate the challenge involved in opening seven new stores in 1967, their major efforts will be devoted to the development of people, the yardstick by which all service businesses are measured.

Agriculture, Manufacturing and Processing

People in our Jewel Companies are dedicated to the task of serving and satisfying customers' needs with quality products on a year-around basis.

To assure constant availability and uniformity of quality of these products, to bring to our customers more of the better values which have given Jewel its reputation, and to improve our return on shareholders' equity, we have entered into the following activities:

NEW AGRICULTURAL OPPORTUNITIES

Jewel has embarked on a program designed to bring to its customers produce that is garden fresh and of premium quality, both in and out of season. To provide its stores with farm-stand fresh corn, vine-ripened tomatoes, strawberries and other native or home-grown fruits and vegetables, Jewel produce specialists work directly with farmers and growers in the Midwest, specifying exacting planting, growing, picking and packing controls for these summer-time favorites. Jewel has gone beyond our borders to Mexico in an agricultural venture which will make available to our customers the best grade and quality of out-of-season produce, particularly tomatoes. We have entered into partnership with Aurrera, a dynamic self-service retailing organization in Mexico City in the development of agricultural property about 65 miles south of Mexico City, and expect to be producing on this land in 1967.

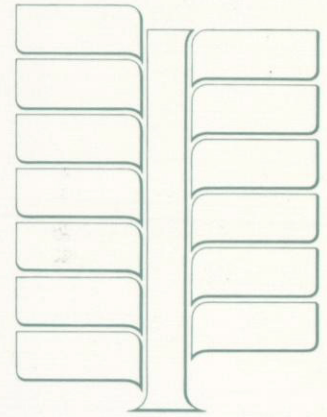
MANUFACTURING AND PROCESSING INCREASING IN IMPORTANCE

Jewel is engaged in diverse manufacturing and processing operations. We operate an egg farm, cheese-packaging plants, salad kitchens, bakeries, a confectionery plant, a coffee-roasting and instant-coffee plant, a preserve plant, an aerosol plant, and others. The products produced in our own plants represent approximately 7% of our total sales and we are expanding this activity.

After assuring ourselves of a source of supply of the finest potatoes, developed to our own specifications and best suited to make a premium chip, Jewel built a potato-chip plant in Melrose Park, Illinois, in 1966. The plant—which has a production capacity of 1,600 pounds of potato chips per hour—occupies 14,000 square feet.

Construction of our own dairy plant in Melrose Park, Illinois, has started. This plant should be in operation by year-end and will incorporate the most modern equipment and techniques. It will occupy about 60,000 square feet and will have a production capacity of over 500,000 pounds of milk per day.

One of the most successful innovations at the retail level in Jewel Food Stores has been the development of service-type Sausage Shops. Here, we cater to a variety of tastes and preferences of the different ethnic groups which shop in our stores and feature only the finest and most outstanding products available. To assure our customers of uniform quality in these unique products and provide still better values, we plan to build and operate our own sausage-making facilities.



People...
Our Most
Valued Asset

**JEWEL—WHERE PEOPLE ARE
THE HEART OF A BUSINESS**

"Profits five years from today depend upon recruiting, training and motivating people now. Jewel Companies, Inc. is intensely dedicated to the principle that people determine the success of a business. It has: (1) a personnel organization that might be considered somewhat understaffed when measured against comparable companies; and (2) just about the highest proportion of employees with personnel responsibilities that any company could have. Jewel has just about 100% of the people on its payroll working on personnel functions. They all reflect the spirit that whatever their titles may be, they also have responsibilities related to recruitment, motivation and training."

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PROGRESSIVE GROCER MAGAZINE
from their April, 1966 issue.

In the knowledge that there exists a present and growing scarcity of creative management talent, corporate managements generally are accelerating their efforts to attract and hold young future business managers by making recruitment, development and motivation of people a major responsibility. Jewel has been active in responding to this challenge for many years, but never have we been more active in these efforts than we are today.

RECRUITING—EVERYONE'S RESPONSIBILITY

We need such a wide range of talent in our various businesses that we are challenged to recruit at every possible age, educational and ability level.

We have a unique opportunity to recruit at an early age because of our employment of large numbers of high school and college students on a part-time basis. Jewel management sees these young people not just as "help" to get a job done, but as a potential source of career Jewels for the future.

Jewel Companies participate in distributive education programs with large numbers of high schools and colleges throughout the country. In addition, Scholarship Programs are offered to attract academically oriented students to part-time employment. Students who show an interest in our business are offered summer employment between school terms and are given opportunities to broaden their knowledge about the business. By the time they are ready to enter the full-time labor market they are able to evaluate their interest in our business and, equally important, we have been able to evaluate their ability, interest and willingness to work.

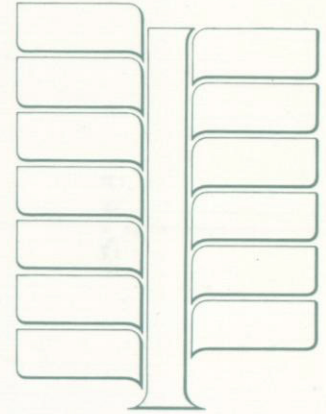
During the 1965-66 college year, Jewel management people visited 88 colleges and universities and hired 197 graduates. This included 10 graduates with MBA degrees, 114 with undergraduate degrees in business or liberal arts and 73 with degrees in pharmacy.

Also in recognition of our social responsibility to the low-income and disadvantaged minority groups particularly in the Chicago inner city, Jewel is working aggressively on special recruiting programs to find not developed but developable talent. This special recruiting includes work with such programs as the Urban League's Talent and Skills Bank, the YMCA's JOBS NOW program, On The Job Training Project, the Neighborhood Youth Centers and Adult Opportunity Centers.

DEVELOPMENT—PERSONAL SATISFACTION

Each executive in a Jewel Company is asked to consider that he works as the First Assistant to the next person in line below him. He is charged not so much with the directing and supervising of people, but with offering and giving assistance to those who look to him for leadership. Thus each executive is responsible for helping others to succeed by assisting in their development. To effectuate development planning, the senior management group in each Jewel Company functions as a Management Development Committee.

These Committees assume the responsibility for providing Sponsorship for each promising young person in the business. Sponsorship means keeping in close touch with young talent on a continuous basis, at the time in their careers when they tend to be most restless. A designated member of management takes personal responsibility for working closely with each young person—answering questions, explaining company philosophy or decisions, giving



advice, or working in any way in which the development of the high potential young person can be advanced. We know that executive development is a personal matter. Individuals need different development programs and different counsel, but they all need to feel that they belong.

MOTIVATION—THE SHARING OF A BUSINESS

Although the primary emphasis is on making every Jewel Company “A Better Place to Trade,” people in all Jewel Companies have a deep motivation toward profit improvement. Each Jewel Company has a deferred profit sharing plan under which people share in the profits they help produce. Under these plans Jewel people have accumulated funds valued at \$106,137,000 for their future retirement security. Importantly, shareholders benefit from the fact that virtually all retirement responsibilities for Jewel people are funded currently and therefore there are no claims on future earnings of the Company for this purpose.

Beyond deferred profit sharing for retirement, the management group in each Jewel Company, except the senior officers, participates in an “Incentive Cash Bonus Plan” which is directly related to the profit result of the individual company. Through these plans all Jewel management people have additional motivation.

It is the considered opinion of Jewel’s management that the money profits shared with our people have resulted in better returns, sounder growth and greater security for the shareholders’ investment than the same portion of our earnings would have produced if expended in any other way.

Developing Foreign Activities

Jewel first entered the foreign market in 1960, when it organized a supermarket company in Belgium in partnership with a leading local department store chain, Grand Bazar of Antwerp. Since then, Jewel has joined with local partners, Grand Bazar of Antwerp, Grand Bazar of Liege and Bon

Marche of Brussels, in the development of a self-service department store business in Belgium. More recently, we initiated a supermarket business with a local partner, Motta, S.A., in northern Italy.

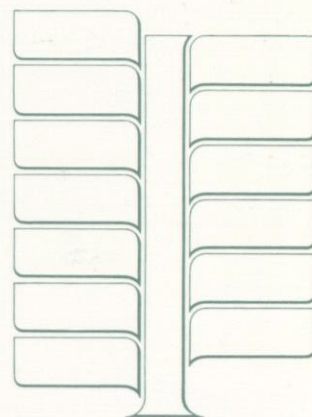
In October 1966 we participated in the organization of a corporation in Spain, the purpose of which will be to operate self-service department stores with a full line supermarket operation included. Initially, we will operate in Madrid. Our principal partners in this venture are a group of outstanding young Mexicans of Spanish heritage who have developed in Mexico City the Aurrera self-service department stores and Superama combination supermarkets and drug-variety stores, a uniquely successful self-service retailing organization.

At the end of 1966 our direct equity investments in foreign retailing companies ranged from 18.75% to 49%. In addition to contributing capital to these companies, our United States facilities are being utilized as a training base for foreign nationals at all levels of store, office, manufacturing and warehousing operations. Our own merchandising, operating and staff specialists and technicians also visit these operations to serve as on-the-spot consultants.

Total 1966 sales of these companies exceeded \$65,000,000, a gain over the previous year of 36%. The European housewife is not unlike her counterpart in the United States. She has been generally accustomed, however, to shopping in numerous small service-type stores. The retailing facilities we are offering make it convenient for her to do "one-stop" shopping, with self-service and off-street parking added. Her response to this new concept in shopping can perhaps be best illustrated by the fact that the earliest supermarkets opened by Supermarchés GB (1960 in Belgium) have continued each year to show significant gains in sales volume—a pattern which has repeated itself without exception as each new store has been placed in operation.

Approximately 11 new retail units will be added to our existing European businesses in 1967. It is anticipated that our first Spanish self-service department store will be operational early in 1968.

Initial startup costs associated with the development of our foreign activities have minimized their earnings to date. However, these operations represent an important base for the longer-term growth and earnings of Jewel Companies, Inc.



SPECIAL REPORT ON CONSUMER BOYCOTTS AND PICKETING OF SUPERMARKETS

The food industry was very much in the news when consumer boycotts and picketing erupted in October of 1966. Food is the largest single item in the consumers' budget, averaging about 18% of disposable income. Unlike housing, transportation or other large items in the family's cost of living, food prices are re-evaluated each week. Housewives feel the effects of general price inflation first in their food budgets—and they reacted without regard for the real reasons for higher prices or the fact that food used a smaller percentage of their total budget. Food retailers, be-

ing at the end of the line in the food industry and easiest to reach were the first to bear the brunt of the demonstrations and bitterness.

FOOD PRICES RISE 5% IN 1966

The Department of Labor reports that the price of food consumed at home increased 5% in 1966, the largest annual increase since 1951. Two basic forces contributed to this result: First, food was less plentiful in relation to demand and secondly, the costs of processing and distribution, particularly wages, increased as a result of high levels of employment and costly governmental programs, both domestic and international.

DEMAND OUTRUNS THE SUPPLY OF FOOD

After more than two decades of burdensome surpluses, American agriculture suddenly reached the point where output did not match the demand in many product categories. This change has been reinforced by the U.S. Government decisions to offer food, particularly wheat, to countries such as India. During the period since World War II, farm prices have generally been unfavorable to producers largely because of excessive food stocks. As a result, retail prices of food have risen only 75% as much as other items in the Consumer Price Index. Late in 1965 it became evident that with increasing shipments overseas and strong domestic demand, a new era for American agriculture was about to begin. Rising food prices in 1966 suggest that we may no longer expect a depressed agriculture to contribute to lowering our food budgets.

In addition to the basic underlying long-term changes in demands for food and availability of agricultural supplies, several short-term influences were at work to increase food prices. Although many scientific developments have contributed to a more productive agriculture, no success has been reported in controlling weather. In 1966,

for example, early spring freezes killed thousands of acres of winter vegetable crops. The Great Lakes crop of cherries and the apple crop in Michigan, Ohio, New York, Virginia and Pennsylvania for the 1966-67 marketing year have been reduced substantially by freezes that hit orchards when they were in bloom last spring. Early fall freezes damaged the potato crop in Idaho where one fourth of the nation's supply is grown. A continuation of a four-year drought cut the production of many crops in the Northeast and Central Atlantic States. A short hay crop nearly doubled prices and caused the cost of milk production to increase.

In contrast to assembly line manufacture of durable goods, the biological production cycles of milk and beef cannot be turned on and off easily or quickly. For several years both beef and milk production have been relatively unprofitable, but farmers continued to hang on. However, in 1966 the shortage of help on dairy farms, combined with good non-farm job opportunities, drought, high feed prices, and good prices for cows for beef use encouraged a record number of farmers to go out of business. Milk production in 1966 declined nearly four billion pounds from the previous year. To encourage production, the Federal Government, which fixes minimum prices in about 85 metropolitan areas, raised prices 1½ to 2 cents per quart.

RIISING COSTS OF PROCESSING AND DISTRIBUTION

To the rising costs of basic food products have been added increased costs of processing, packaging, and the distribution of finished food items. Despite numerous cost reducing innovations and the economies gained through large scale operations, retail-wholesale costs of operations have widened during the past decade. Higher costs for labor, land, buildings, equipment, taxes, and transportation have contributed to the increase.

Not so well understood are the added costs for additional services expected by customers such as the greatly increased number and variety of products handled, built-in maid service, air-conditioned stores, large parking lots, greatly increased use of frozen and refrigerated food cases, and the broadly used check cashing privilege.

By far the most important of all cost factors in the distribution of food is labor which accounts for nearly one-half of total retail store expense. In addition, higher labor costs, representing the salaries and wages of those employed in food retailing and its supporting industries, are translated into higher prices for transportation, packaging, processing and the many other functions involved in moving food from farms to the retail store. Competition in the labor market is affected by many defense related jobs and reductions in the work force caused by the draft. Thus, the level of business activity of the general economy is an important force that increases food prices.

Any discussion of food costs would not be complete without consideration of the massive inflationary effect that the war in Vietnam has had on all prices, including food. The Vietnam war has greatly bolstered income, but at the same time the shift to the production of war goods has limited the quantity of consumer goods available for sale. Price increases occur when disposable income increases more rapidly than the production of goods available for sale. This is the story of 1966.

LOOKING AHEAD

Despite this rather disturbing picture of what has happened in 1966 there is no reason to expect general runaway inflation in food prices. The American farmer is the most productive in the world. The Federal Government is relaxing restrictions and subsidies that have held down food production. The American family will continue to be the best fed in the world while spending the smallest proportion of its income for food.

Consolidated Balance Sheet

(Both years include Buttrey Foods, Inc. and real estate affiliates)

JEWEL COMPANIES, INC.

ASSETS

	January 28, 1967	January 29, 1966
Current Assets:		
Cash	\$ 12,054,730	\$ 16,839,841
Marketable securities and certificates of deposit	7,723,995	21,793,310
Accounts receivable, less allowances	20,534,875	17,926,250
Inventories, substantially at lower of first-in, first-out cost or market	86,981,230	75,932,801
Prepaid expenses and supplies	3,627,402	3,182,749
Total current assets	130,922,232	135,674,951
Deferred Charge—		
Premiums advanced to customers	1,422,627	1,564,905
Investments:		
Minority interest in foreign affiliates	5,639,554	4,885,372
All other	802,746	827,250
Property, Plant and Equipment (at cost):		
Buildings	66,346,860	57,981,560
Equipment and leasehold improvements	137,956,244	121,527,413
	204,303,104	179,508,973
Less allowance for depreciation and amortization	80,880,879	70,377,031
	123,422,225	109,131,942
Land	22,530,309	18,159,602
Total property, plant and equipment	145,952,534	127,291,544
Goodwill	1	1
	<u>\$284,739,694</u>	<u>\$270,244,023</u>

LIABILITIES

	January 28, 1967	January 29, 1966
Current Liabilities:		
Accounts payable and accrued expenses.....	\$ 36,787,205	\$ 40,941,983
Dividends payable.....	2,074,166	1,922,259
Accrued federal, state and local taxes.....	13,326,804	13,569,073
Accrued payrolls and profit sharing.....	12,764,463	11,327,783
Long-term indebtedness, due within one year.....	3,013,279	4,695,887
Total current liabilities.....	<u>67,965,917</u>	<u>72,456,985</u>
Long-Term Indebtedness, due after one year:		
Direct obligations of Jewel Companies, Inc.....	34,896,123	32,740,646
Obligations of real estate affiliates.....	37,321,209	32,421,252
Deferred Federal Income Taxes.....	10,033,754	9,094,508
Stockholders' Investment:		
Preferred stock—3¾% cumulative \$100 par value— authorized and issued 48,000 shares at Jan. 28, 1967.....	4,800,000	5,100,000
Common stock—\$1 par value—authorized 15,000,000 shares, issued 6,619,349 shares at Jan. 28, 1967.....	42,597,712	39,743,275
Accumulated earnings—Reserved for self-insured losses and general contingencies.....	1,250,000	1,250,000
Accumulated earnings—Unappropriated.....	85,972,618	77,751,704
Treasury stock at cost.....	(97,639)	(314,347)
Total stockholders' investment.....	<u>134,522,691</u>	<u>123,530,632</u>
	<u>\$284,739,694</u>	<u>\$270,244,023</u>

See accompanying notes to consolidated financial statements.

Consolidated Income Account

AND ACCUMULATED EARNINGS—UNAPPROPRIATED

(Both years include Buttrey Foods, Inc. and real estate affiliates)

JEWEL COMPANIES, INC.

	52 Weeks Ended January 28, 1967	52 Weeks Ended January 29, 1966
Sales and Revenues:		
Food and related merchandise—retail	\$ 836,080,699	\$744,674,496
General merchandise—retail	208,417,728	176,890,215
Wholesale sales	15,639,009	11,866,778
Total sales	1,060,137,436	933,431,489
Interest income	615,659	806,686
Total sales and revenues	1,060,753,095	934,238,175
Cost of Doing Business, including depreciation and amortization of \$12,989,000 in fiscal 1966 and \$11,829,000 in fiscal 1965:		
Cost of goods sold	829,867,079	726,597,944
Selling, general and administrative expense	196,762,764	174,186,399
Provision for doubtful accounts	1,802,251	1,650,099
Interest on indebtedness	3,590,963	3,282,219
	1,032,023,057	905,716,661
Earnings Before Federal Income Taxes	28,730,038	28,521,514
Provision for Federal Income Taxes	12,254,000	12,323,655
Net Earnings for the Year	16,476,038	16,197,859
Per Common Share	\$2.46	\$2.45
Accumulated Earnings—unappropriated, beginning of year:		
Jewel	72,876,514	67,687,313
Buttrey Foods, Inc.	4,875,190	4,137,233
	94,227,742	88,022,405
Deduct:		
Cash dividends declared:		
Jewel preferred stock	177,936	179,688
Jewel common stock	7,954,756	7,121,811
Buttrey common stock (prior to pooling)	122,432	489,061
Transactions in treasury stock and stock of subsidiaries		446,715
Transfer of \$1 per share to common stock for 3-for-2 stock split		2,033,426
	8,255,124	10,270,701
Accumulated Earnings—unappropriated, end of year	\$ 85,972,618	\$ 77,751,704

See accompanying notes to consolidated financial statements.

Consolidated Source and Use of Funds

(Both years include Buttrey Foods, Inc.
and real estate affiliates)

	52 Weeks Ended January 28, 1967	52 Weeks Ended January 29, 1966
Source of Funds:		
Net earnings	\$16,476,038	\$16,197,859
Depreciation and amortization	12,988,668	11,828,825
Increase in deferred federal income taxes	939,246	1,556,430
	<u>30,403,952</u>	<u>29,583,114</u>
Increase (decrease) in long-term debt (net):		
Jewel Companies, Inc. direct obligations	160,257	(2,006,371)
Real estate affiliates	5,212,569	5,050,884
Sale of common stock	2,894,677	591,104
Increase (decrease) in payables and accruals	(2,808,460)	5,894,717
	<u>35,862,995</u>	<u>39,113,448</u>
Use of Funds:		
Dividends to owners of the business	8,255,124	7,790,560
Transactions in treasury stock	58,937	663,140
New property, plant and equipment (net):		
Operating companies	21,569,448	17,080,524
Real estate affiliates	10,080,210	3,727,806
Increase in accounts receivable	2,608,625	1,046,152
Increase in inventories	11,048,429	9,993,073
Increase in investments	729,678	526,770
All other (net)	366,970	256,158
	<u>54,717,421</u>	<u>41,084,183</u>
Decrease in Cash and Marketable Securities	<u>\$ 18,854,426</u>	<u>\$ 1,970,735</u>

Accountants' Report

TO THE STOCKHOLDERS AND BOARD OF DIRECTORS
JEWEL COMPANIES, INC.

We have examined the accompanying consolidated balance sheet of Jewel Companies, Inc. and subsidiaries and real estate affiliates as of January 28, 1967, and the related statements of income and accumulated earnings and source and use of funds for the fifty-two weeks then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

March 11, 1967

In our opinion, the financial statements referred to above present fairly the consolidated financial position of Jewel Companies, Inc. and subsidiaries and real estate affiliates at January 28, 1967, the consolidated results of their operations, and the source and use of funds for the fifty-two weeks then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year, restated to consolidate the financial statements of the real estate affiliates as explained in a note to the financial statements.

Jauch, Ross, Bailey, Shrank

Notes To Consolidated Financial Statements

MERGER WITH BUTTREY FOODS, INC.

On June 15, 1966, Buttrey Foods, Inc. merged with Jewel Companies, Inc., in connection with which 430,171 shares of Jewel common stock were exchanged for all of the outstanding common stock of Buttrey. This merger has been treated as a pooling of interests for accounting purposes, and the financial statements of the companies have been combined for both years.

CONSOLIDATION OF REAL ESTATE AFFILIATES

Jewel leases operating properties from a number of affiliated real estate corporations, and owns preferred stock which is convertible into common representing 99% of the equity of these corporations. In the past, Jewel's equity in the earnings of the real estate affiliates (assuming full conversion) was included in consolidated net earnings. All financial statements of these affiliates have now been consolidated with those of Jewel for all years presented.

LONG-TERM INDEBTEDNESS

During 1966, Jewel entered into a credit agreement with a group of its principal banks under which it can borrow an amount not to exceed \$8,000,000 evidenced by interim notes with interest at the prime rate and maturing on September 1, 1969, unless extended by mutual agreement. At maturity the interim notes may be converted to four-year term notes.

Long-term indebtedness at January 28, 1967, was as follows:

	Rate	Total Out- standing	Due Within One Year	Final Maturity
(In thousands)				
Direct Obligations of Jewel Companies, Inc.:				
Bank-administered trusts.....	4.5%	\$20,000		1987
Banks and insurance companies.....	2.85—5.00	7,977	\$ 974	1968-78
Mortgage notes.....	4.50—5.75	4,764	221	1970-84
Interim notes.....	Prime	3,350		1969
Obligations of real estate affiliates.....				
	4.625—6.5%	\$39,139	\$1,818	1977-89

The aggregate annual maturities of long-term debt are as follows (in thousands):

	Direct Obligations	Obligations of Real Estate Affiliates
1968.....	\$1,213	\$1,885
1969.....	4,626	1,959
1970.....	1,277	2,037
1971.....	698	2,116
1972 and after.....	27,082	29,324

Under terms of the note agreements, \$31,485,000 of accumulated earnings are not restricted for the payment of cash dividends on common stock.

The long-term debt of the real estate affiliates

is not a direct obligation of Jewel Companies, Inc., but is secured by the assignment of lease agreements between Jewel and these affiliates and will be fully amortized during the firm term of each lease, generally 20 years.

PREFERRED STOCK

Under the sinking fund provisions relating to the preferred stock, Jewel must acquire annually on or before each June 30 at least 1,500 shares. On June 15, 1966, Jewel formally retired 3,000 shares of preferred stock then in the treasury representing sinking fund requirements through June 30, 1967. As of January 28, 1967, there were 738 shares held in the treasury at a cost of \$61,630 covering sinking fund requirements into 1968.

COMMON STOCK

Common stock account transactions during the year were as follows:

	<i>In thousands</i>
Balance January 29, 1966, restated to include \$2,129,000 for Buttrey Foods, Inc.....	\$39,743
Issued:	
Employee stock purchase plan (12,641 shares).....	452
Stock option plans.....(1,606 shares).....	47
Profit sharing trusts.....(65,000 shares).....	2,356
Buttrey options prior to merger.....	39
Redemption of preferred stock—excess of par value over cost.....	25
Expense of merger with Buttrey.....	(64)
Balance January 28, 1967.....	<u>\$42,598</u>

As of January 28, 1967, there were 849 common shares in the treasury carried at a cost of \$36,009.

At January 28, 1967, there were 295,411 shares of common stock reserved, of which 60,070 shares were for employee stock purchase plan purchases, 61,000 shares were for issuance to profit-sharing trusts and 174,341 shares were for stock options described in the following table:

	<i>Number of Shares</i>		
	<i>Reserved</i>	<i>Granted</i>	<i>Available</i>
Balance January 29, 1966.....	170,276	133,569	36,707
For Buttrey options.....	5,908	5,908	
Cancelled.....	(237)	(237)	
Granted.....		36,500	(36,500)
Exercised.....	(1,606)	(1,606)	
Balance January 28, 1967.....	<u>174,341</u>	<u>174,134</u>	<u>207</u>
Options exercisable at January 28, 1967..		<u>91,488</u>	

Outstanding options were granted at prices ranging from \$22.06 to \$40.69 per share, representing 95% or more of the market price on the date of grant, become exercisable in equal installments over a four-year period and expire from five to ten years from the date of grant.

LEASE COMMITMENTS

Rentals for leased properties, primarily retail locations (excluding those leased from real estate affiliates), were \$10,750,000 in 1966 and \$9,764,000 in 1965 including rentals based on sales where applicable. As of January 28, 1967, the leases call for minimum payments of approximately \$10,400,000 for fiscal 1967. Of this annual amount, 29% will have expired by the end of five years, 54% by the end of 10 years, 87% by the end of 15 years, and 99% by the end of 20 years.

PROFIT SHARING AND RETIREMENT PLANS

Jewel provides nearly all of the retirement funds for its employees through profit-sharing retirement trusts. The amounts payable to the profit-sharing retirement trusts are a percentage of annual earnings over a basic return for stockholders. These amounts are determined and charged against each year's earnings. Under these plans, no charges or credits to future earnings due to length of employees' service or actuarial gains or losses are required.

JEWEL COMPANIES, INC.

Consolidated Ten Year Financial Summary

*(All years include Buttrey Foods, Inc. and real estate affiliates)**(Total dollars in thousands except per share figures)**For the Year**

	1966	1965	1964	1963
Total sales and revenues	\$1,060,753	\$ 934,238	\$ 845,086	\$ 799,271
Earnings:				
Net for the year	\$ 16,476	\$ 16,198	\$ 14,732	\$ 12,325
Earnings per common share**	2.46	2.45	2.23	1.86
Dividends per common share**	1.20	1.13	1.07	1.07
Retained earnings	\$ 8,221	\$ 8,407	\$ 7,639	\$ 5,311
Depreciation	12,989	11,829	10,643	9,725
New property, plant and equipment (net):				
Operating companies	\$ 21,569	\$ 17,080	\$ 18,451	\$ 14,772
Real estate affiliates	10,080	3,728	5,283	9,725

*At the Year End**

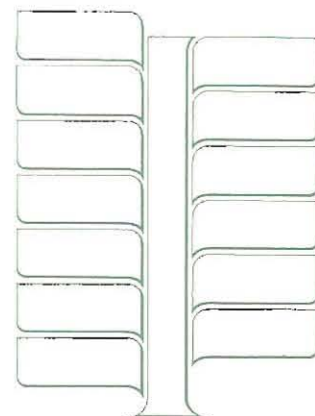
Net working capital	\$ 62,956	\$ 63,218	\$ 59,789	\$ 66,168
Total assets	284,740	270,243	251,413	235,579
Long-term debt:				
Jewel Companies, Inc. direct obligations . . .	\$ 34,896	\$ 32,741	\$ 34,749	\$ 37,624
Real estate affiliates	37,321	32,421	27,704	25,729
Preferred stock	4,726	4,764	4,913	5,095
Common stockholders' equity	129,797	118,767	110,283	102,023
Equity per common share**	19.61	18.16	16.88	15.68
Number of common shares outstanding** . . .	6,618,500	6,538,307	6,532,011	6,508,468

*In May, 1962, the fiscal year of the Company was changed to the Saturday nearest January 31 from the Saturday nearest December 31.

†53-week year; other years 52 weeks.

**Adjusted for stock splits and stock dividends.

<i>1962†</i>	<i>1961</i>	<i>1960</i>	<i>1959</i>	<i>1958†</i>	<i>1957</i>
\$ 753,034	\$ 678,858	\$ 632,575	\$ 598,343	\$ 558,170	\$ 512,306
\$ 12,934 1.96 1.07	\$ 12,183 1.85 1.00	\$ 12,075 1.88 .93	\$ 11,416 1.87 .80	\$ 9,872 1.64 .67	\$ 8,417 1.41 .65
\$ 6,335 8,762	\$ 6,243 7,925	\$ 6,780 7,298	\$ 7,117 6,700	\$ 6,329 5,640	\$ 5,096 5,061
\$ 17,333 6,535	\$ 11,507 3,255	\$ 10,956 3,159	\$ 9,465 3,334	\$ 13,829 6,450	\$ 9,100 1,805
\$ 43,455 199,370	\$ 50,412 185,091	\$ 49,842 172,371	\$ 45,082 144,662	\$ 38,238 132,510	\$ 34,957 109,824
\$ 16,145 16,644 5,374 96,557 14.85	\$ 18,459 14,172 5,537 88,305 13.65	\$ 21,201 12,059 5,691 79,273 12.53	\$ 19,670 9,433 5,748 69,508 11.62	\$ 20,446 6,328 5,803 59,716 10.14	\$ 16,288 693 5,832 52,416 9.04
6,502,696	6,469,885	6,324,564	5,980,847	5,891,859	5,795,811



Officers

JO H. ARMSTRONG
Vice President, General Manager,
Eisner Stores

JOHN N. BALCH
Controller

HARRY G. BECKNER
Vice President, General Manager,
Jewel Food Stores

JOHN A. BREWER
Vice President, Meat Operations,
Jewel Food Stores

WESTON R. CHRISTOPHERSON
Vice President, General Manager,
Home Shopping Service and Executive
Vice President, General Manager,
Osco Drug, Inc.

GEORGE L. CLEMENTS
Chairman, Board of Directors
and *Chief Executive Officer*

EDWARD J. DAVIS
Vice President, Administration,
Jewel Food Stores

GRANT C. GENTRY
Secretary and General Counsel

BERT H. HAMBLETON
Vice President, Grocery Merchandising,
Jewel Food Stores

GEORGE T. HILDEN
Vice President, General Merchandise
Services, and President,
Osco Drug, Inc.

RONALD L. HILEMAN
Vice President, Perishables Operations,
Jewel Food Stores

CLIFFORD R. JOHNSON
Vice President, Real Estate and
Construction, Chicagoland Stores

EDWARD L. JOHNSON
Vice President, Sales Development,
Home Shopping Service

HERMAN T. LANDON
Vice President, Supply,
Home Shopping Service

DARRELL L. LEWIS
Vice President, General Manager,
Turn-Style Stores

FRANKLIN J. LUNDING
Chairman, Finance Committee
and *Chief Financial Officer*

WALTER E. MEYER
Assistant Controller

JOHN M. MUGAR
President,
Star Market Co.

DONALD S. PERKINS
President

H. ROBERT POWELL
Assistant Treasurer

JOSEPH RADOV
Vice President, Corporate
Manufacturing Planning

HOWARD R. RASMUSSEN
Executive Vice President,
Chicagoland Stores

L. JACK SKYLES
Vice President, General Manager,
Chicago Osco Drug Stores

LEE D. SMITH
Vice President, Personnel Development,
Jewel Food Stores

FRANK L. SPREYER
Vice President, Manufacturing,
Warehousing & Transportation,
Jewel Food Stores

PAUL STRATTON
Chairman, Board of Directors,
Osco Drug, Inc.

RICHARD D. STURTEVANT
Vice President, Corporate Real Estate Planning

WEIR C. SWANSON
Vice President, Personnel and Public Affairs

EDWARD T. VORBECK
Assistant Secretary and Associate
General Counsel

HOWARD O. WAGNER
Vice President, Administration, and Treasurer

RILLING S. WILLIAMS
President and Chairman of the Board,
Buttrey Foods, Inc.

FRED A. WOERTHWIEIN
Vice President, Grocery Operations,
Jewel Food Stores

ANNUAL MEETING

The annual meeting of stockholders will be held at 2:00 p.m. on Wednesday, June 21, 1967 at the Waldorf-Astoria Hotel, New York, New York

TRANSFER AGENTS

Manufacturers Hanover Trust Company, 40 Wall Street, New York, New York 10015
Continental Illinois National Bank and Trust Company,
231 South LaSalle Street, Chicago, Illinois 60690

REGISTRARS

Bankers Trust Company, 16 Wall Street, New York, New York 10015
The First National Bank of Chicago, 38 South Dearborn Street, Chicago, Illinois 60690

STOCK LISTING

New York Stock Exchange

CORPORATE OFFICE

135 South LaSalle Street, Chicago, Illinois 60603

EXECUTIVE OFFICE

1955 West North Avenue, Melrose Park, Illinois 60160

This report is submitted to the stockholders of the Corporation for their information and is not intended to be used in connection with the sale of or offer to sell any securities, nor is it intended to be information to be included in a prospectus within the meaning of the provisions of the Federal Securities Act of 1933, as amended.

Directors

JAMES L. ALLEN

Chairman

Booz • Allen & Hamilton, Inc.

WESTON R. CHRISTOPHERSON

Vice President, Home Shopping Service

Exec. Vice President, Osco Drug, Inc.

GEORGE L. CLEMENTS

Chairman, Board of Directors and

Chief Executive Officer

STEPHEN M. DuBRUL, JR.

Partner

Lehman Brothers

JOSEPH M. FRIEDLANDER

Chairman, First National Bank and

Trust Co., Barrington, Illinois

WILLIAM A. GERBOSI

Independent Business Consultant

A. VERNON JANNOTTA

Independent Business Consultant

FRANKLIN J. LUNDING

Chairman, Finance Committee

and Chief Financial Officer

EDWARD H. McDERMOTT

Senior Partner

McDermott, Will & Emery

STANLEY R. MILLER

Partner

Goldman, Sachs & Co.

JOHN M. MUGAR

President

Star Market Co.

DONALD S. PERKINS

President

HOWARD R. RASMUSSEN

Executive Vice President

Chicagoland Stores

FRANK L. SPREYER

Vice President

Jewel Food Stores

PAUL STRATTON

Chairman, Board of Directors

Osco Drug, Inc.

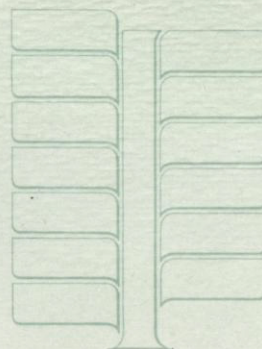
HOWARD O. WAGNER

Vice President and Treasurer

RILLING S. WILLIAMS

President and Board Chairman

Buttrey Foods, Inc.



COMMITTEES OF THE BOARD

EXECUTIVE

George L. Clements*

Franklin J. Lunding

Donald S. Perkins

Edward H. McDermott**

Howard O. Wagner**

FINANCE

Franklin J. Lunding*

George L. Clements

Howard O. Wagner

Donald S. Perkins**

Edward H. McDermott**

SALARIES AND PROFIT SHARING

Franklin J. Lunding*

James L. Allen

Edward H. McDermott

George L. Clements**

William A. Gerbosi**

STOCK OPTIONS

James L. Allen*

A. Vernon Jannotta

Stanley R. Miller

Edward H. McDermott**

Stephen M. DuBrul, Jr.**

AUDITS

Edward H. McDermott*

William A. Gerbosi

Howard O. Wagner

James L. Allen**

A. Vernon Jannotta**

*Committee Chairman

**Alternate

Effective January 28, 1967, Mr. Stephen P. Mugar retired as a member of the Board of Directors of Jewel Companies, Inc., and as a Director and Officer of its affiliated companies, including Star Market Co. In grateful appreciation of his many contributions Mr. Mugar has been designated Honorary Chairman of Star Markets. We are also pleased that Mr. Mugar will continue to render consultative services to Jewel Companies.

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